

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-10 H-02 L-02 PRS-01

PA-02 USIA-15 CEA-01 SP-02 AID-05 EB-06 NSC-05 RSC-01

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INR-07 NSAE-00 XMB-04 OPIC-06 LAB-03 SIL-01 /117 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7764

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USADB

TREASURY FOR ZINMAN

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJ: COST OF LIVING ADJUSTMENTS TO ADB PENSIONS

SUMMARY: BANK PROPOSES 3 PERCENT PER ANNUM (SIMPLE) COST OF LIVING ADJUSTMENTS FOR BANK PENSIONERS RETROACTIVE TO 1 JAN 1974, TO BE FINANCED BY 1-2/3 PERCENT INCREASE IN PROFESSIONAL STAFF CONTRIBUTIONS TO RETIREMENT PLAN AND 3-1/3 PERCENT INCREASE FROM BANK. INCREASE IN BANK ADMINISTRATIVE COST PROJECTED AT \$217,000 FOR 1974.

1. BANK PROPOSES 3 PERCENT PER ANNUM (SIMPLE) COST OF LIVING ADJUSTMENTS FOR ADB PENSIONERS. BANK DOC 97-74 POUCHED 14 OCT 1974. BOARD CONSIDERATION SCHEDULED FOR 31 OCT 1974.

2. PROPOSAL TO BE FUNDED ON PRE-FUNDING BASIS WHEREBY BOTH PARTICIPANTS AND BANK WILL SHARE COST INVOLVED IN SAME MANNER AS OTHER BENEFITS UNDER STAFF RETIREMENT PLAN. RATES OF CONTRIBUTION TO RETIREMENT PLAN FOR UNCLASSIFIED

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PARTICIPANTS REVISED UPWARD FROM 7-2/3 PERCENT TO 9-1/3

PERCENT. FOR BANK CONTRIBUTION, RATE INCREASED FROM 15-1/3 PERCENT TO 18-2/3 PERCENT. TOTAL CONTRIBUTION TO STAFF RETIREMENT PLAN 28 PERCENT OF PAYROLL. ELIBIBILITY FOR COST OF LIVING ADJUSTMENTS TO PENSIONERS RETROACTIVE TO 1 JAN 1974. ESTIMATED INCREASE IN BANK'S ADMINISTATIVE BUDGET ESTIMATED AT \$217,000 FOR 1974. SUPPLEMENTARY BUDGET FOR 1974 SCHEDULED FOR BOARD DISCUSSION 17 OCT INCLUDES PROVISION FOR SOME FIRST YEAR EFFECT OF PROPOSED INCREASED COST.

3. BANK PROPOSAL NOTABLY DIFFERENT FROM MOST OTHER COST OF LIVING ADJUSTMENTS PROVIDED FOR IBRD/IDB/UN, ETC. FIRST, COST TO BE MET ON PRE-FUNDING BASIS I.E., CONTRIBUTIONS TO PLAN MADE IN ADVANCE FOR EXISTING AS WELL AS PROSPECTIVE PENSIONERS. MOST PLANS USE MATURITY FUNDING IN WHICH AMOUNT REQUIIED PROVIDED ON YEARLY BASIS FOR EXISTING PENSIONERS ONLY. SECOND, BANK PROPOSAL IS ON SIMPLE RATHER THAN COMPOUNDED BASIS, I.E., 3 PERCENT INCREASE IN ANNUAL BENEFITS NOT RPT NOT COMPOUNDED FROM YEAR TO YEAR. IN ADDITION, AND LARGELY REFLECTING USE OF PRE-FUNDING BASIS TO MEET COST, BOTH PARTICIPANT AND BANK CONTRIBUTION RATES TO RETIREMENT PLAN CONSIDERABLY HIGHER THAN THOSE RATES APPLICABLE IN COMPARABLE INSTITUTIONS. LATTER FACT SUBJECT OF WIDESPREAD CRITICISM ON PART BANK STAFF WHICH MAY RESULT IN EXTENSIVE DEBATE ON MARITS OF PROPOSAL WHEN DISUCSSED AT BOARD.

4. USADB SUPPORTS CONCEPT OF COST OF LIVING ADJUSTMENTS PROPOSED IN PAPER. HOWEVER, APPRECIATES CRITICISM RAISED BY BANK STAFF REGARDING LOWER LEVEL OF BENEFITS FOR DOLLAR CONTRIBUTED TO RETIREMENT PLAN. IN THIS RESPECT, WOULD PARTICULARLY APPRECIATE COMMENTS ON ADVANTAGES AND DISADVANTAGES OF PRE-FUNDING VS MATURITY FUNDING AS BASIS FOR MEETING COST OF LIVING ADJUSTMENTS. FURTHER, USADB CONCERN THAT PROPOSAL NOT TRUE COST OF LIVING ADJUSTMENTS SINCE ADJUSTMENTS MADE ON SIMPLE RATHER THAN ON COMPOUNDED BASIS. NOTE IN THIS RESPECT THAT IBRD/IDB/UN COST OF LIVING ADJUSTMENTS ON COMPOUNDED BASIS.  
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**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 21 OCT 1974  
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**TAGS:** EAID, EFIN, ADB-1  
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